

Learning to succeed: post 16 funding

Second technical consultation paper

Response from the Further Education Development Agency

1. FEDA welcomes the publication of the second technical consultation paper on post 16 funding and the associated paper on funding flows and business processes. They both respond positively to issues raised in the first round of consultation and as a consequence offer improved arrangements for funding the new sector. Since the issues of funding and allocations are dealt with separately our response is similarly in two parts – this paper deals with the proposals for the funding system. It is however important that the two issues are seen together.
2. In our comments on the first consultative paper FEDA indicated its broad support for the approach outlined and the principles upon which it was based. The second paper retains the strengths we identified in relation to funding, and in addition addresses some of the concerns we and others expressed. It is important to underline at the outset that the proposed approach still commands our support since our detailed comments inevitably focus on the relatively few areas where we see outstanding issues needing to be tackled.

Q1 Funding formula

Do the proposals strike the right balance between the need for providers to be clear as to funding principles while ensuring sufficient flexibility to meet evolving needs? In relation to government policies on disadvantage and equal opportunities, is the formula sufficiently flexible to support these?

3. We believe that the basic features of the formula are capable of supporting a system which is both clear and flexible. There is a capacity to deliver incentives to institutions to reflect policy priorities. There is also the ability to recognise legitimate variations in cost, whether they derive from the characteristics of the learner, their programme or their community. In this the proposals represent an improvement on the arrangements currently in operation in the different sectors. They offer a model which is sensitive to more factors than that applied by the FEFC, better capable of reflecting policy steers than school funding and a more predictable environment for training providers.

Entry/Starts Payments

4. We welcome the removal of an entry or starts element of the funding formula since it represents simplification without loss of sensitivity. It is important however to underline the clear indication in the paper that this does not imply any reduction in funds. Nor should it be taken as implying any diminution in the need for pre entry or continuing guidance and support from providers. The establishment of the ConneXions service should result in an improved service to potential learners rather than any change in the responsibility of providers to give initial and continuing support to learners.
5. We would also wish to underline that where a provider incurs a disproportionate amount of costs at the beginning of a programme this should be reflected in an agreed payments profile. For small providers, where profiling could be difficult, it may be necessary, if they wish, to continue to pay against invoices.
6. We would also want to ensure that if specific programmes incurred substantial costs at the entry stage this would be fully reflected in the national rates. This could particularly be the case in respect of community provision designed to encourage those who are disengaged to take the first steps back to learning.
7. It is right that different approaches should be taken to achievement in different contexts. In some cases, where learners take external examinations for example, it is easier to define achievement than in others. What counts as an achievement will differ between programmes which have different objectives. While definitions of achievement may differ we are not convinced that the percentage of payments linked to achievement should differ by programme. The arguments against having too high a proportion linked to output - that it can destabilise provision, put pressure on quality systems and lead to perverse outcomes - are strong and apply across all activities and to all types of provider.

Retention

8. Further consideration needs to be given to the tension between providing funding which reflects the needs of the learner, and delivering incentives to providers. If funding is withdrawn to reflect poor institutional performance it results in fewer resources being available for learners. This is particularly likely to occur if resources are reduced when learners withdraw during the year. It is often not possible, particularly for example in small sixth forms, or small voluntary sector providers, to produce a pro rata reduction in costs.
9. In practice it may be an unnecessary complication for the incentives to institutions to either retain students, or increase their achievement, (both of which we strongly support) to be driven by individual learner records. A simpler measure, and one which is also more sensitive, would be to link such incentives to the achievement of specific improvement targets. In our experience incentives do not have to be substantial to act as a clear signal and stimulus, particularly when accompanied by non-funding levers such as inspection and performance indicators.

Disadvantage

10. We welcomed the inclusion of an element in the formula to reflect disadvantage, building on the experience of the FEFC with the widening participation factor. A benefit of the LSC arrangements is that these needs can be reflected across all post 16 programmes in a consistent way. It would therefore be regrettable if the factor were not applied to programmes offered by the Employment Service in the same way as to LSC programmes. Whilst acknowledging the rationale, - that all ES clients might be considered disadvantaged and due allowance made in the basic funding of all ES programmes- it compromises the transparency of funding principles. It also seems to be based on a definition of disadvantage which may be variance with that proposed for the LSC, a definition based on the programme which is followed rather than the area in which a learner lives, or the prior achievements of the individual learner.
11. While we support the principle of a disadvantage factor there needs to be much clearer thinking about what the factor is for. In places it is described as a reflection of cost; in others it appears more like an incentive to providers. It is insufficient to argue that it could be both at the same time since its application would need to be different to suit different purposes. To give a simplified example we can consider a provider where the great majority of learners would qualify as disadvantaged (on whatever definition). If the factor reflects costs then all qualifying learners ought to attract uplift. If on the other hand it is an incentive, to pay for existing learners represents 'dead-weight'; it should only apply to new learners meeting the criteria.
12. We are inclined to the view that the disadvantage element should reflect costs. The argument that working in the most deprived communities requires additional resources, both to recruit and retain learners is powerful. It is probable that for some aspects of provision lower group sizes will need to be accepted and higher drop out rates incurred. A disadvantage factor will however need to be underpinned by a more careful examination of what extra costs are necessarily incurred. It will also be necessary to focus clearly on only those costs which are not appropriately taken into account in either programme weightings or additional support for individual learners.
13. We agree that the LSC should review the basis for identifying disadvantage, taking into account the outcomes of the FEFC consultation on widening participation. The consideration is in part technical – is there reliable data on which to base a payment – but there is a more fundamental underlying issue. Stated at its simplest, the question underpinning the current debate is whether the factor is meant to identify low achievers from all social contexts, or those from financially deprived backgrounds whatever their level of study. The LSC funding and allocations mechanism as a whole needs to address both issues in order to
 - Raise the proportion of the population as a whole who are qualified up to level two

- Raise the proportion of young people from disadvantaged groups who are able to proceed to higher education.

The Core Formula

14. The core formula proposes that programme delivery costs should be the main determinant of funding and that this will be most heavily influenced by programme length. We agree with both points. We would also agree that the FEFC concept of guided learning hours (GLH) is a good guide to programme size though we would warn that it will be a less adequate guide to LSC than it has been to FEFC because of the wider range of provision and providers.
15. For example some programmes offered to disadvantaged groups may require extensive consultation with a range of agencies such as housing and health. There are clear costs involved but they cannot be related directly to student numbers or hours of attendance. Similar issues arise in relation to work with employers, particularly perhaps in SMEs. The requirements of work based learning will also generate costs, such as the need to integrate on- and off-the-job learning, which cannot readily be captured by GLH.
16. A related issue arises in relation to the specialist library provision which is needed to support 6th form and similar study. The current FEFC approach does not take account of the time students spend in libraries and learning centres other than when they receive specific supervision. It is treated as an institutional overhead. This is an acceptable approach when dealing with a set of academic institutions which can all be expected to provide a similar learning environment. When dealing with a more varied group of institutions and programmes it requires explicit recognition as a programme cost.

Cost Weighting

17. It is an important step forward that the funding of all programmes can be related to the same set of elements which reflect the major components of cost. This will aid both transparency and equity. There is however some inconsistency in the way the elements are applied. In particular, the sections of the paper concerned with the work-based route appear to conflate the size of a programme and its relative cost when identifying cost bands. We see it as important that the two elements, which can vary independently, are treated separately for all provision.

Entitlement

18. The concept of 'entitlement', which has been developed by the FEFC for full-time students aged 16-19 might usefully be extended further to cover other groups of learners. The 'entitlement' for full-time students both identifies features of a learning programme which should be available and enables their costs to be recognised without requiring a calculation of guided learning hours and detailed audit. A student is, for example, entitled to appropriate tutorial support which is funded without having to count how many minutes of tutorial attention is needed or applied. In a similar

way one might construct entitlement for work-based trainees which included items such as regular reviewing of learning or appropriate support for learning away from the core job. An entitlement for disadvantaged young learners might explicitly refer to interagency collaboration and support through periods of transition.

Q2 Funding learners with additional needs

Is the continuation of the matrix for specialist colleges, and adaptation of the current FEFC approach for FE providers, the best interim approach while a new matrix is being developed? What interim approach should be adopted for the work based route? What are the desirable features of the longer-term matrix?

19. FEEDA welcomes the recognition that the development of an overall system for supporting learners with additional needs is complex and that there is a need for interim arrangements. As far as the FE sector is concerned it would be wise for the interim arrangements to be based on the additional support mechanism which is widely understood, consistently interpreted and accepted as having assisted many learners to gain the support they need.
20. We understand why it will not be possible to alter the arrangements made by LEAs for school 6th forms and adult and community education immediately. It is right nevertheless to advise them to have regard to the level of support made available to similar students in other parts of the post 16 sector. It would also be of advantage to commend to them the basis of the FEFC approach and the nature of the matrix envisaged for the longer term as a way of meeting their obligations.
21. We can see no reason, in principle, for not extending the current FEFC arrangements to the work-based sector as an interim step which looks towards the eventual LSC matrix approach. It would help move towards integration both within work-based training and between the work-based and college-based routes. Although providers will not have had the experience of colleges in applying the additional support mechanism, there is ample experience in the TEC and ES funded sectors of the assessment and endorsement of individual trainees with additional needs. With strong and consistent support from the local LSCs a ready transition to a common system should be capable of early achievement.
22. We welcome the confirmation that the system needs to reflect learner needs and not focus on disabilities. In addition to disability, needs will vary with the programme of study, the experience and circumstances of providers and the wishes of the individual as to how they might best be supported. The matrix would therefore be most useful if it reflected the type of support on one axis and the extent of support on the other as the paper proposes. We would see such an arrangement as helpful in ensuring consistency of funding for individuals in like circumstances. It might also

be possible to indicate on the matrix minimum or maximum levels of support.

23. The proposed matrix, and the interim arrangements, represent an improvement over current FEFC practice in that requirements will be expressed directly in cash rather than units. The use of the funding unit currency in the FE sector for this purpose was the cause of some confusion and some inequity between providers doing similar tasks.
24. The establishment of the LSC provides an opportunity to resolve a further difficulty with FEFC arrangements which would be an even greater problem for small providers. For some learners the major support requirement is an item of capital. The FEFC scheme allowed the depreciation costs of an item to be claimed but not the capital cost itself. If an item is in frequent use then there may be no problem but many items may be needed for one learner only. The capacity for a local LSC to acquire and hold items to meet the needs of an area as a whole could lead to a more economic arrangement.

Q3 Learner fees and employer contributions

Will the proposed approach allow providers sufficient flexibility to manage their organisations while also ensuring that learners and employers know where they stand and are being treated equitably? How should we address the issue of increased employer contributions for some job-related training?

25. The establishment of a national set of principles to cover the arrangements for fees paid by learners and employers is welcome. It is important that individuals and employers should know the basis for any fees which are charged; and that differences in fees reflect clear differences in circumstances rather than arbitrary judgements or differences between sectors.

Free Tuition

26. In general FEEDA agrees with the principles proposed. We are particularly pleased to see the clear commitment to free tuition for young people aged 16-18; and the recognition that some groups in our society cannot afford to pay. While in the main entitlement to free provision should be set out at national level, there should be some scope for providers to extend the categories to whom fee remission should apply. If providers bear the additional cost of extra fee remission that should act as a sufficient brake on excessive use of the power.
27. We welcome the proposal that there should be free provision for adults on basic skills courses or for those whose primary learning goal is adult basic education or English for speakers of other languages. It is right that fees policy should underpin an entitlement for individuals to be supported to reach the minimum level of education required for effectiveness in society. We would prefer however to express

the principle in this more general manner. This would enable the policy to be developed over time to reflect changing needs and circumstances.

28. There are two ways in which we would like to see the entitlement to free provision extended. Some young people are clearly not adequately prepared to take their place in the world by the age of 18. If it is clear that continuation in learning offers a realistic prospect of their attaining such a level, a continuation of free provision would appear justified. This would be consistent with the public funding of elements of learning for apprentices between the ages of 18 and 25. Similarly we would endorse the view of the National Skills Task Force that there should be a general entitlement to public support to attain a minimum of a level 2 qualification.

Job Related Learning

29. We are concerned about the proposal that fee policy should take into account whether training is job related. We believe that employers should take responsibility for investing in their own employees but fear that there are major practical difficulties and potential inequity in trying to define 'job related'. We feel that it would be clearer and more practical to relate fees to whether a course is 'exclusive' or 'open'.
30. A couple of examples may illustrate the potential difficulty of deciding whether any activity is job related. In relation to any particular employee does it relate to the present job, any job in the employers company, or any job that the employer may have in mind for the employee in the future? If an individual presents themselves for a course it could be because their employer has sent them in order to improve job performance. It could be that they wish to improve their own job performance despite an indifferent employer; it could be that they wish to improve their performance in order to be able to move to a better employer. In each of the three cases the programme might be equally 'job related' but the implications for charging the employer are radically different.
31. We feel that the key distinction is between courses which are, at least in principle, open to all who are qualified to benefit and those which are not. For those which are open, the standard rate of public subsidy should apply. Exclusive courses should be charged at full cost. If in an otherwise closed course an employer wishes to have learners assessed against national standards and provided with portable national certification then that aspect of provision might attract public subsidy.

Work Based Learning

32. The consistent application of the principle that employers should pay for job related training potentially conflicts with the need to support work based learning for young people. Most of the training received by such young people is by definition job related. The principles we outline would support work based training by making it clear that in so far as a young person is acquiring a nationally recognised qualification that will attract public support on the same principles as someone remaining in full time education. To the extent that they are acquiring skills which

are only relevant to an individual employer there is no place for public support.

Contributions from Learners

33. FEEDA welcomes the recognition that there needs to be a consistent set of principles which underpins the fees charged to learners. The basis described seems an acceptable starting point. A 25% contribution represents the average rate charged for FEFC provision. It is right in the short term to exclude adult and community learning from this regime, as the proportions recovered have been significantly higher and to change abruptly would be likely to reduce the level of provision available. After two years however we would wish to see a single set of principles informing fees policy across all institutions. To achieve this it seems likely that the fees to be charged will have to vary by programme as well as by type of learner.

Q4 Transition

Do the proposed arrangements offer the right levels of reassurance to learners, employers providers and schools about a relatively smooth and seamless change to the new arrangements? Will they operate equitably across all sectors?

34. The arrangements for transition are clearly a cause of great concern for providers. The proposals outlined in the consultation paper show that the department has recognised the nature and extent of concerns and this should go some way to allaying fears. We support the overall strategy which is to provide a separate transition plan for each sector reflecting its different circumstances. The complexity of arrangements makes it imperative that there is not undue haste for 'convergence'. Experience in the simpler context of the incorporation of the FE sector suggests that provision can easily be damaged by an arithmetical approach to convergence.

35. The Secretary of State's 'real terms guarantee' to school sixth forms is given prominence. We would wish however to see equal weight given to the several statements of Ministers, and the view of the Education and Employment Select Committee, that funding in further education should be levelled up to equal that of schools rather than school funding being levelled down. The implementation of the real terms guarantee will not of itself ensure that convergence is upward rather than downwards.

Competition

36. The consultation paper rightly identifies that one of the reasons for approaching this transition with sensitivity is that providers are in competition with each other for funds formerly ring-fenced to each particular sector. We see this as key and would see the need for a stronger statement that significant movements of funding between sectors should not arise until the transition arrangements are substantially completed.

37. We are aware that some colleges see themselves at a potential disadvantage compared with training providers because of their cost structure. We are aware that some providers see themselves at a disadvantage compared with colleges because, having been funded at a lower level, they have not been able to invest in their resources. Many community and voluntary organisations feel vulnerable because of the scale of their activity. These fears indicate that there would be merit in stressing that serious competition should apply only when a level playing field has been reached and not before.
38. We note that in relation to adult and community education the guarantee of stability is given to LEAs and not to providers. There is as much reason for the users of adult and community education services to be offered stability as the users of other providers. It might be possible to indicate that in buying plans from LEAs the continuity of provision would be a key factor.

Q5 Young Learners

Do the proposed funding arrangements for A/AS levels and vocational A levels offer the right degree of clarity for schools and FE providers to plan successfully to meet the Ministers' policy intentions? Will the proposed arrangements for work-based training for young people ensure that the new AMA and FMA frameworks are supported by the right funding approaches?

39. We agree that the core approach to funding young learners on full time programmes represents the right balance between greater simplicity for FE colleges and greater sensitivity to circumstances and policy imperatives for schools. It would be possible to achieve an even greater degree of simplification without loss of sensitivity if our proposals to reform the incentives for retention and achievement were accepted. (See paragraph 9).
40. The funding arrangements on their own might be insufficient to meet Minister's policy intentions. A definite judgement will only be possible later in the year, but the indications at present are that the FE funding approach, which takes full account of a students programme, will be more effective at stimulating the take up of Key Skills than the current schools approach which funds on the basis of pupil numbers. If funding does not differentiate significantly between large and small programmes there may need to be more extensive use of other levers.
41. Although the question only asks about A levels it is recognised in the text that many learners, particularly in FE, will not be following level 3 programmes. Furthermore, increases in the participation of disadvantaged groups are more likely to come from an extension of provision at levels below level 3. Although therefore we welcome the statement that the same principles should apply to all full time 16-18 learners it should be acknowledged that the application of these principles has not been

thought through. To take just one example the objective of increasing the breadth of programmes has been conceived largely in terms of countering the restrictions of the traditional A level programme. It may be that there are different components of an entitlement which need to be differently described at lower levels.

Work Based Learning

42. FEEDA agrees that work based programmes for young people make a valuable contribution to the education and training system and have not always been given the recognition they deserve. We believe strongly in parity of esteem for all routes and therefore would hope that there is no special significance in the uniquely glowing terms in which they are described in the consultative paper. The key issue is that common principles in respect of funding, allocations and quality assurance should be applied across all types of programme and all providers.
43. It is right that, as with other programmes, the major factors in determining funding will be the size and length of the programme. This needs to be underpinned by evidence and it is not clear that cost bands would align neatly with occupational or sectoral divisions. As indicated earlier there seems, in the description of the funding arrangements, to be an unhelpful conflation of programme size and relative cost. Consistency and clarity suggest that they should be kept separate.
44. We welcome the fact that a disadvantage element will be applied, where appropriate, in respect of work based learners. On the assumption that this will be based on a need to reflect the additional costs of recruiting and supporting young people from areas of deprivation, it may need to be underpinned by a more extensive analysis of what costs are necessarily incurred.
45. We are pleased to see a specific commitment to retain and develop arrangements for learners who require additional learning support. There is experience in the work-based sector of assessment of needs and endorsement of individuals. During the transition phase there should be a process of harmonisation which ensures consistent treatment across work-based providers and assists convergence with FE approaches.
46. We see no reason why the proportion of funding related to achievement should vary from the 10% level advocated for school and college programmes. There is evidence that linking a high proportion of funding to output has a distorting effect and there is no evidence that a higher percentage improves the achievements of learners. Unless there is clear evidence why the rates should vary we believe that practice should be consistent across sectors. As we indicated in paragraph 7 above we would go further. We see strong reasons for detaching the incentive to providers from the performance of individual learners and making it conditional on achievement of negotiated performance targets. This would reflect more accurately the range of provision encompassed by the work-based route.

Part Time FE

47. We welcome the recognition in the proposals of the large number of young people, approximately a quarter of a million, who take up part time further education. While the development of Educational Maintenance Allowances might attract a proportion of these young people into full time programmes, and improvements in modern apprenticeship might equally improve recruitment to work-based programmes the numbers are likely to remain substantial.
48. Some of these young people will only have a limited contact with an institution. They may, for example, be repeating a GCSE at evening class and in such cases it is right to treat them like adults. If, however, they have a more substantial association – perhaps half the time committed by a full-time student – there are strong arguments for aspects of the 16-18 entitlement to also apply to them.

Q6 Funding block system

Is the proposal sufficiently fine-grained to distinguish between the many different types and lengths of provision – often part-time, mainly adult – while avoiding excessive bureaucracy?

49. FEDA agrees that the funding block system proposed is appropriate to the variety of provision undertaken by adults. Experience to date with the FEFC approach shows that having bands which are too wide has a distorting effect on practice. As with other types of provision it is right that the major factors underpinning funding are programme size, and programme weighting with account being taken of area costs and disadvantage where necessary.
50. We have indicated above that as the range of provision covered by the LSC and ES is wide, it becomes less appropriate to use a restricted definition of guided learning hours when identifying programme size. When dealing with relatively homogenous institutions such as schools and colleges, many costs can be considered as proportional to GLH. In a more disparate sector there may be significant variations. For adult provision for example there may be a greater need for outreach or for liaison with other bodies.

Q7 Adult Learners

Will the funding arrangements give appropriate support to Ministers' policy objectives in the key areas of (a) basic skills, (b) Ufl, (c) Adult and Community Learning, and (d) engaging residents of the most socially disadvantaged communities in learning?

51. FEDA believes that the arrangements could give powerful support to the implementation of policy objectives in respect of basic skills provision. It will be necessary to ensure that the cost weighting gives appropriate recognition of the

need to work in small groups, to accept a higher level of drop out and a requirement for a more intensive and extensive programme of pre-course contact with potential learners.

52. The arrangements are also capable of supporting the development of e-learning programmes including those offered through learndirect. All the general principles which have been described in other parts of the paper apply equally to this type of provision. The major determinant of the level of funding should be the cost of provision which is primarily a function of the length and frequency of association between the learner and the provider.
53. For the moment the evidence base suggests that there is no reason to set separate rates for e-learning. While that will be helpful in establishing such work it should not be elevated into a principle of equal status to those in the preceding paragraph. It is perfectly possible that in the future all or some e-learning will be shown to be either more or less costly than conventional approaches.
54. In most aspects of life customised solutions cost more than off-the-peg arrangements. It seems likely that this will prove to be the case in respect of at least some aspects of e-learning. Where this occurs in other walks of life the consumer usually pays a premium for the convenience of the arrangement. As a general principle this ought also to apply to learning. Where additional public subsidy is required in order to provide an e-learning solution for an individual there ought to be some reason why the public purse should accept the additional cost. If an individual had specific needs for additional support it could be one such good reason.
55. The proposals outlined in the consultation paper make a major contribution to government priorities for adult and basic skills by removing unnecessary restrictions on funding. It is worth reiterating these in case there is any suggestion that they be reinstated. Potential obstacles which have been removed include the requirement that courses should lead to a qualification; restrictions on the range of organisations which can receive funding and a minimum size of programme set inappropriately high. There is active encouragement to take learning to the learner and a clear indication that if additional costs are thereby incurred they will be met. While accepting that there is a case for funding to support the acquisition of whole qualifications we would hope that any incentives in that direction were not so strong as to disadvantage non qualification programmes.
56. The proposals offer a range of incentives to increase the representation of those from the most disadvantaged communities. There is the potential to recognise any extra costs which might derive from either individual circumstances (through learner support or additional learning support), the nature of the programme (through setting the rate) or the community context (through the disadvantage element). In addition to these funding levers powerful signals can be sent through the allocations mechanism.

Q8 ES Provision

Will the proposed arrangements support the type and range of provision for which the ES has responsibility?

57. The proposals appear capable of supporting the type and range of provision for which ES has responsibility. It is however disappointing that the proposals do not go further in clearly applying the same funding principles across the LSC and ES programmes. Not only will this cause unnecessary complexity for providers, many of whom operate with both ES and LSC programmes; it also reduces the extent to which the two sectors can learn from one another. There is a great danger that if the two sectors do not firmly apply common principles at the outset they will drift further apart.
58. We indicated earlier our concern that the disadvantage factor would not be applied to ES programmes. Its absence is presented as a simplification whereas when provision is looked at as a whole it is actually a complexity. There are two rules on disadvantage to be applied rather than one.
59. In fact there is another deeper issue. The understanding of what is meant by disadvantage differs between the sections of the paper. For the LSC, disadvantage, following the FEFC, is seen as relating to specific communities. The disadvantage element appears to reflect the extra costs of working with people who come from particularly unsupportive contexts. For ES it is seen as a matter of programme eligibility; anyone on New Deal wherever they come from is disadvantaged. It undermines one of the benefits of Learning to Succeed if there is no attempt to reach a consistent position on such a major issue.
60. In a similar way it is a matter of concern that there is no consistency in relation to achievement funding. There is no reason why the proportion of funding linked to outcomes should differ so radically between programmes. No justification is presented of why it is thought right that ES should trial arrangements which take it further away from LSC practice, rather than lead towards convergence. On the other hand if there is clear evidence that linking an increased proportion of funding to outcomes improves the experience of learners there should be clear reasons why this does not apply outside ES programmes.
61. There is no reason why there should not be more explicit convergence between ES and LSC in respect of additional learning support. ES already makes payments to providers based on the direct costs of the extra provision they make over and above a basic minimum. This is the position towards which FE provision is already moving and which we have recommended be the interim arrangements for the former TEC sector. An acknowledgement that the system to be applied is the same would then focus attention on whether there was consistent application at the level of detail

Q9 Training Allowances

Will the proposals ensure that trainees are appropriately supported while undertaking work-based training for young people?

62. We strongly support the clear separation between the funding of learner support and the funding of learning programmes. The separation of trainee allowances from the support for their training is an important step towards clarity and consistency.
63. The transitional arrangements proposed for trainee allowances seem sensible and afford the prospect of an ultimate alignment of the varied systems of public support for young people, principally the EMA pilots and allowances for work based trainees. It makes sense for the LSC to pay the allowances from April 2001 as an interim measure, but it is important to establish that the arrangement is interim.
64. Consideration should be given to the means testing of the trainee allowance for non employed trainees on the same scale as the education maintenance allowance. There may well be scope for harmonising arrangements in relation to the circumstances in which payments are withheld – unauthorised absences for example.

Transport

65. Since it is right to consider the costs of supporting learners separately from the costs of supporting learning, it makes sense to consider further whether the LSC is the right body to manage learner support. It should be noted however that the decisions of the LSC impact directly on two areas of learner support – assistance with transport and residential accommodation. The decisions made by the LSC on which programmes to support will have an impact upon the learners need to travel or stay away from home. There is therefore a clear need for the LSC to be involved in the co-ordination of arrangements, whether or not it manages them.
66. Recent FEDA research confirms that for many learners the cost of transport can be a major barrier. In some areas the availability of transport is a separate and equal problem. Both aspects are more significant in rural areas and some of the problems raised by rural providers seem to relate to costs which form part of learner support rather than learning support. Our research underlines the complexity of the issue. It also shows that the arrangements for student transport are so closely bound up with decisions about the public transport infrastructure that local authorities must retain a substantial role.

Individual Learning Accounts

67. The consultative paper does not give sufficient weight to the issues raised by the introduction of a national scheme of individual learning accounts (ILAs). The government has rightly moved away from a scheme based around cash accounts and instead is focussing on 'an account with government' which can be used to help direct discounts to learners. While we see this as sensible there is a potential huge

overlap with the work of the LSC.

68. The ILA customer service centre will be developing an account record which will substantially duplicate the LSC individual learner record. The distribution of discounts will substantially duplicate the role of the LSC in setting fees and allocating fee remission. Most providers will be faced with the prospect of receiving funds from two sources rather than one, with the attendant issues of two sets of eligibility checks, two sets of records of participation and perhaps two sets of audit. It would make sense to merge these two operations at the earliest date.

Q10 FE Capital

Should the LSC allocate funds to assist the development and enhancement of ILT and IS/IT services and, if so, on what basis?

Should further priority be given to funds for the renewal and enhancement of equipment and should FE colleges be required to ring-fence 2% of their recurrent funding for capital purposes?

Investment in ILT

69. We do not believe that the LSC should hold back funding in order to provide specific assistance with the development or enhancement of ILT and IS/IT services. The effect of such arrangements is to draw the LSC into detailed consideration of implementation issues in addition to specifying the range of outcomes required. FEEDA believes that if there is a benefit in the purchaser-provider split, which underpins much of the proposed arrangements, it is in the removal of the LSC from a focus on means and a direction of its attention to ends. In our view decisions on whether participation and quality are best raised by investment in IT are most effectively taken at the provider level.
70. There are perverse incentives associated with 'top slicing' funds which are then distributed through some kind of bidding mechanism. Institutions have every incentive to apply for such funds even if they are of relatively low priority in their particular circumstances. Resources are allocated best where institutions have to make hard choices between competing priorities for the use of limited funds.

Ring-fencing

71. We do not believe that the LSC should require institutions to ring-fence revenue funds for capital. In our view, the correct approach for the LSC to adopt is to ensure that revenue funding is set at a level that allows providers to continue to invest in their infrastructure. It would be appropriate to give some indication of an assumed level of investment, similar to the 2% figure quoted by FEFC, although 3% or 4% might be more realistic in current circumstances. It should be available as guidance however rather than as a condition of funding. This mechanism enables providers to make the judgement about which investments will best enable them to address government priorities in the context of their local circumstances.

Capital Funding outside FE Colleges

72. The issue of capital funds raises important questions for the LSC and its role in developing the provider infrastructure. Voluntary sector and private providers will question why the consultative paper focuses only on the capital needs of FE Colleges. All providers need to update and to invest in their own facilities and the LSC may wish to improve the resources available to learners outside the college context.
73. We accept that resources are likely to be scarce and the LSC needs to ensure that assets purchased with public funds remain in public ownership. Capital which has been allocated to colleges and schools remains available for public purposes in all circumstances. Assets purchased with capital which is allocated to a private organisation do not. Public providers do not have the choice, which is always available to the private sector, to apply their resources to other business opportunities. This argument however should not prevent the extension of capital support to other public bodies.
74. The Learning and Skills proposals place great emphasis on the value to the community of maintaining a variety of high quality learning providers which includes both public and private organisations. If it is felt necessary to invest capital funding to secure this end it should be possible to develop arrangements that provide parity of treatment between institutional types. If a contract could be developed which provided that, in the event of a private company ceasing to contract with the LSC, or going bankrupt, the asset would revert to public ownership, then the objection to their consideration for capital support might be removed.
75. There is a further set of actions that the LSC may need to take in order to avoid market failure. Private organisations, and some public bodies, may wish to borrow in order to invest. In order to access the capital market, it is insufficient merely for the revenue stream to be at a sufficient level to allow repayment on borrowings. There needs to be some reasonable guarantee that the revenue stream will continue over the life of the acquired asset. The LSC might play an important role in underwriting approaches to the capital market by providers where their plans are judged realistic. Such a facility might be seen as a key element of the LSC's role in community capacity building.